

Housing Assistance Bureau:

The Housing Assistance Bureau consists of three programs; the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships (HOME) program; the HUD Project Based Section 8 Housing Contract Administration (PBS8CA) program; and the HUD Tenant Based Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs Contract Administration (TBS8CA).

HOME Investment Partnerships Program (HOME):

HOME provides grant funds to eligible local government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual homes or rental units, tenant based rental assistance, and other eligible activities. Grants are awarded through a competitive process once each year. HOME also includes the president's new American Dream Downpayment Initiative (ADDI) homeownership program. HOME staff also coordinate completion of the Montana Consolidated Plan, a five year planning document, with annual updates, required by the HUD in order to receive federal funds for many state programs.

The HOME program is funded in HB 2 by an annual categorical federal grant from HUD (100% federal funds). Grant funds are distributed using a competitive process to successful local governments and Community Housing Development Organizations (CHDOs) with an allowed amount being held back at the state level to administer the program.

HOME Program Goals & Objectives / Performance Indicators:

- Continue restructuring and streamlining HOME Program grant application and administration policies and procedures to expand program accessibility for Montana's cities, towns, counties, and Community Housing Development Organizations (CHDOs).
- Continuously improve HOME project screening, technical assistance efforts, and project monitoring to ensure that high quality, long lasting affordable housing investments are made in Montana.
- Continue to provide technical assistance to rural portions of the state by HOME Program personnel and through technical assistance contracts.
- Continue cooperation with other affordable housing programs in the state to ensure the efficient use of scarce resources. Other affordable housing programs include the programs of the Montana Board of Housing, USDA-Rural Development, the Montana Homeownership Network and Montana Home Choice Coalition.

Consolidated Plan:

- Continue to simplify and streamline annual updates facilitating continued federal participation and enhancing usability of the plan for the average citizen.

HOME Program Performance Indicators:

Applications Reviewed	Actual FY 2003		Actual FY 2004		Estimated FY 2005		Estimated FY 2006		Estimated FY 2007	
	#	\$	#	\$	#	\$	#	\$	#	\$
Homebuyer Assistance	4	\$ 1,608,335	4	\$ 1,531,543	5	\$ 1,766,000	5	\$ 1,854,000	5	\$ 1,947,000
Homeowner Rehabilitation	1	\$ 173,300	2	\$ 869,656	2	\$ 604,000	2	\$ 634,000	2	\$ 666,000
New Construction - Rental	2	\$ 770,276	5	\$ 1,855,679	3	\$ 1,030,000	3	\$ 1,082,000	3	\$ 1,136,000
New Construction - Single Family	1	\$ 193,500	2	\$ 943,300	1	\$ 400,000	1	\$ 420,000	1	\$ 441,000
Acquisition Rehabilitation - Rental	2	\$ 1,000,000	3	\$ 1,099,093	4	\$ 1,448,000	4	\$ 1,524,000	4	\$ 1,587,000
Tenant Based Rental Assistance	1	\$ 64,724	0	\$ -	1	\$ 125,000	1	\$ 130,000	1	\$ 150,000
Totals:	11	\$ 3,810,135	16	\$ 6,299,271	16	\$ 5,373,000	16	\$ 5,644,000	16	\$ 5,927,000
Grants Awarded										
Homebuyer Assistance	4	\$ 1,608,335	3	\$ 1,331,543	3	\$ 1,424,000	3	\$ 1,424,000	3	\$ 1,424,000
Homeowner Rehabilitation	1	\$ 173,300	2	\$ 869,656	1	\$ 475,000	1	\$ 475,000	1	\$ 475,000
New Construction - Rental	2	\$ 770,276	4	\$ 1,605,679	2	\$ 863,000	2	\$ 863,000	2	\$ 863,000
New Construction - Single Family	1	\$ 193,500	1	\$ 443,300	1	\$ 216,000	1	\$ 216,000	1	\$ 216,000
Acquisition Rehabilitation - Rental	2	\$ 1,000,000	2	\$ 837,093	3	\$ 1,222,000	3	\$ 1,222,000	3	\$ 1,222,000
Tenant Based Rental Assistance	1	\$ 64,724	0	\$ -	1	\$ 100,000	1	\$ 100,000	1	\$ 100,000
Totals:	11	\$ 3,810,135	12	\$ 5,087,271	11	\$ 4,300,000	11	\$ 4,300,000	11	\$ 4,300,000

HUD Section 8 Housing:

Project Based Section 8 Contract Administration (PBS8CA):

The PBS8CA Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract Managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management

reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners. The program provides 4,321 units of rental housing in 101 projects, for low income and elderly families in the state.

Tenant Based Section 8 Contract Administration (TBS8CA):

TBS8CA provides over 4,100 rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

Both Section 8 Housing programs are funded by two enterprise funds with revenues derived under HUD performance based Annual Contribution Contracts.

Section 8 Housing Goals & Objectives:

- Continue to provide and improve high quality Section 8 Housing Program services using contracted local field agencies to provide local contact for landlords and tenants enrolled in MDOC Section 8 Housing programs.
- Expand comprehensive centralized field agent training sessions to ensure field agent competency in all matters related to Section 8 Programs, and address problems associated with service delivery. Provide specialized training in areas identified as being high need for field agents and staff.
- Expand field review of local field agent operations to better monitor performance and to provide additional on-site training for field agents related to programmatic requirements, including inspections of rental units occupied by Section 8 tenants.
- Continue to support the Family Self Sufficiency Program to make FSS services available to clients on a full statewide basis, enabling more low-income clients to become independent of government assistance.
- Continue and expand contract administration of Section 8 project based contracts currently administered by HUD.
- Expand the provision of housing opportunities for low income Montanans by applying for additional assistance as it becomes available from federal sources.
- Expand the availability of low income Montanans to enter homeownership using the special provisions of the Housing Choice Voucher Homeownership program.

Section 8 Housing HB 576 Program Description:

Project Based Section 8 Contract Administration (PBS8CA):

The PBS8CA Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract Managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management reviews, follow-up to physical inspections, review of management decisions, and budget

assistance to local property owners. The program provides 4,321 units of rental housing in 101 projects, for low income and elderly families in the state.

The Project Based Section 8 program is funded by enterprise accounting entity 06074 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

Tenant Based Section 8 Contract Administration (TBS8CA):

TBS8CA provides over 4,100 rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

The Tenant Based Section 8 program is funded by enterprise accounting entity 06075 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

Customers include the 8,421 Montana families that hold a Section 8 Voucher or live in a Section 8 Project Based unit. The majority of these families include, the disabled or the elderly. Customers also include the 2,500 landlords that accept vouchers or own project based apartments.

There has not been any significant program, service, or customer base change since the last session; however the federal government has proposed reductions in the levels of funding for the Housing Choice Vouchers program. At this time the Department has appealed the proposed reductions and is waiting HUD restoration of funding. If funding is not restored, 250-400 families across Montana will lose Section 8 Housing Choice Voucher assistance in October, and could be forced into homelessness. It is possible the scenario could happen in FY2005 also.

Section 8 Housing HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description:

Both Section 8 Housing programs are funded entirely by enterprise funds; Project Based Section 8 with accounting entity 06074; and Tenant Based Section 8 with accounting entity 06075. There are no direct appropriations provided in HB 2. Both funds revenues are derived from performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

Project Based Section 8 Housing revenues (accounting entity 06074) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	%
512033	\$ 444.88	0.003%
530025	\$ 5,664.89	0.035%
538006	\$ 3,013.32	0.019%
594109	\$ 815,918.00	5.090%
594111	\$ 15,204,187.56	94.853%
Totals:	\$ 16,029,228.65	100.000%

Tenant Based Section 8 Housing revenues (accounting entity 06075) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	%
512033	\$ 320.44	0.002%
530025	\$ 26,975.34	0.147%
538006	\$ 8,270.57	0.045%
594112	\$ 16,191,459.36	88.047%
594113	\$ 34,091.46	0.185%
594116	\$ 132,408.11	0.720%
594117	\$ 143,915.55	0.783%
594118	\$ 150,558.00	0.819%
594119	\$ 238,104.79	1.295%
594120	\$ 58,183.08	0.316%
594121	\$ 106,472.12	0.579%
594122	\$ 102,920.46	0.560%
594124	\$ 154,670.49	0.841%
594125	\$ 210,246.00	1.143%
594126	\$ 301,732.20	1.641%
594127	\$ 253,152.96	1.377%
594128	\$ 276,104.92	1.501%
Totals:	\$ 18,389,585.85	100.000%

Expense Description:

Major cost drivers for the Project Based Section 8 program, accounting entity 06074, can best be represented in the following table:

	FY 2004	%
FTE	7.00	
Personal Services	\$ 311,744.83	1.987%
Operating Expenses	\$ 187,470.26	1.195%
Benefits & Claims	\$ 15,187,065.56	96.818%
Totals:	\$ 15,686,280.65	100.000%

Major cost drivers for the Tenant Based Section 8 program, accounting entity 06075, can best be represented in the following table:

	FY 2004	%
FTE	12.50	
Personal Services	\$ 528,931.67	2.726%
Operating Expenses	\$ 364,491.92	1.879%
Benefits & Claims	\$ 18,506,428.85	95.395%
Totals:	\$ 19,399,852.44	100.000%

Working Capital Discussion:

Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance based contract using 17 Incentive Based Performance Standards which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental Assistance payments are made based on Contracts negotiated by the PBS8CA staff and tenant income data, and are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues for the TBS8CA are generated at the rate of \$45.79 per unit for each rental unit under lease each month, effective January 1, 2004. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs only and HUD may require their use to pay Rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD, up to a set amount per unit (new in FY 2004). The PHA is not allowed to retain any funds for other than the payment of rents under the program.

Fund Equity and Reserved Fund Balance:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b), Also see working capital discussion above.

Rate Explanation:

Both funds revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

The federal government has proposed reductions in the levels of funding for the Housing Choice Vouchers tenant based program. At this time the Department has appealed the proposed reductions. Should the reductions be upheld, Housing Assistance Payments for tenants must be reduced, either by reducing the benefit provided each tenant family, or by removing currently assisted families from the Housing Choice Vouchers Program. Administrative requirements and workload remain unchanged. The U.S. Department of Housing and Urban Development pays the Housing Assistance Bureau on a performance based contract, where administration is paid at the

rate of \$45.79 per unit under lease at the beginning of each month, and will provide \$334.88 per unit to cover rent costs for participating tenants. The \$334.88 figure has been appealed, due to declining income of tenant families, reductions in TANF (counted as income on this program), excessive utility rate increases, and increases in the new HUD fair marker rents, which control minimum and maximum subsidy levels for the program. This shorts rents by about \$21 per month per tenant, around \$920,000 per year.

The administration side of the program does not currently make enough from HUD to fully fund administrative operations, so retained earnings, and interest on them are used to make up the difference between needed revenues and administration expenses for the program. It is anticipated that the retained earnings will continue to fund the program indefinitely, unless there are more negative changes upcoming from HUD. The retained earnings are limited to use for operation of the program by federal code.

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. We are entering the fifth year, and expect HUD to extend our contract in future years, as we have obtained an outstanding review scoring in most years we have administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2%, with a provision for another 1% awarded for superior performance, or 1% removed for failure to perform. The amounts received are based in 17 different Incentive Based Performance Standards, each of which is evaluated by HUD. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the 107 individual owners of the projects, set up on a procedure dictated by HUD.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.50 FTE; for a total 19.50 FTE.